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March 23, 1987

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Rich diet for Wendy's

Wendy's International is going back to the burger basics in a new TV campaign featuring a series of people floating by an exaggerated 10-foot "hot 'n juicy" hamburger to "give a nibble." Dick Rich Inc., New York, created the campaign. *(See story on Page 77.)*

Georgia-Pacific takes on P&G

Slates $75M paper drive

By JUDANN DAGNOLI and LAURIE FREEMAN

Georgia-Pacific Corp., the paper-products company that's accustomed to walking in the long shadow of Procter & Gamble Co., now is hot on its bigger rival's heels.

In a six-month marketing effort, G-P will spend as much as $75 million in advertising and promotion—a record for the company—to introduce a new bathroom tissue and upgrade its lower-price Coronet line of tissues, towels and napkins.

In addition, both competitors coincidentally have chosen similar car-giveaway programs as major promotional efforts: G-P is working with American Motors Corp., while P&G has tied in with Chevrolet.

The ad campaign, which breaks today, supports the national introduction of Angel Soft premium bathroom tissue. The promotional effort, starting later this week, will back the established Coronet line.

The $20 million-to-$30 million ad investment could make Angel Soft the heaviest-supported brand in the category.

"Georgia-Pacific was telling [grocery store] buyers that they would be spending at a rate of $20 million to $30 million," said a marketing executive at a major G-P competitor. "That would mean they would lead the category [in spending]. We had a hard time believing that [but it turned out to be true]."

In taking on P&G, the No. 1 player, G-P is trying to leapfrog No. 2 Scott Paper Co.'s ScotTissue, Cottonelle and Waldorf brands and No. 3 James River Corp.'s Northern line.

Angel Soft, the first premium brand from G-P's Darien, Conn.-based Consumer Paper Products Division, is aimed directly at P&G's Charmin and White Cloud brands. Although sold under the Coronet umbrella, it is positioned as top-of-the-line.

The ad campaign by Altschiller Reitzfeld, New York, focuses on a softness message. TV spots show babies dressed as angels, with a voice-over by Sterling Holloway, the voice of Winnie the Pooh, and original music written and performed by John Sebastian (formerly

(Continued on Page 78)

Luisi seeks O'Donnell's JWT letter

By STEWART ALTER

JWT Group's two crises—involving ex-employees Marie Luisi and Joseph O'Donnell—suddenly came together last week in an unexpected way.

In a filing in New York State Supreme Court, JWT Group moved to keep information about its problems with Mr. O'Donnell, who was dismissed in January, from surfacing in legal documents related to Ms. Luisi's libel suit against JWT.

Ms. Luisi was dismissed by J. Walter Thompson USA in 1982 as the executive "responsible" for the improprieties discovered in its barter syndication unit. She subsequently sued for libel, charging she was not solely responsible for the problem and was a scapegoat. She now is in the final weeks of the pretrial discovery process and plans to file on March 31 for a trial date.

JWT in effect asked the court to prevent Ms. Luisi from taking depositions from Mr. O'Donnell and John Peters, Thompson's ex-president, in order to learn whether anything in a letter from Mr. O'Donnell might be useful to her case. The agency steadfastly has refused to make public the letter written to JWT board members by Mr. O'Donnell, which contributed to his ouster as chairman of J. Walter Thompson Co. (AA, Feb. 2, *et seq.*).

While JWT has "resisted a lot of stuff" in the discovery process of Ms. Luisi's lawsuit and has directed witnesses not to answer questions, this is the first time it has attempted to stop her from taking depositions, said her attorney, P. Jay Wilker.

A JWT spokesman, who confirmed that these were the first depositions the company was seeking to stop, said the reason was that "we see it as a fishing expedition" and called the letter "irrelevant" to Ms. Luisi's case. "The letter dealt with matters in 1986," he said, observing that nothing that current had to do with "accounting ques-

(Continued on Page 80)

Legislators ask probe of Visa

Attack on AmEx backfires

By PATRICIA WINTERS and STEVEN W. COLFORD

Visa International's attack on American Express Co.'s new Optima card has backfired into a wellspring of support for AmEx from consumer groups and members of Congress.

The Consumer Federation of America and four legislators—including a potential presidential candidate—last week asked the Department of Justice to investigate possible antitrust violations by the industry—and Visa in particular—after Visa President C.T. Russell sent a letter to member banks warning them about Optima's "competitive threat" (AA, March 16).

In its telegram, San Francisco-based Visa suggested that the banks reconsider issuing AmEx traveler's checks and other AmEx products now that its revolving-credit Optima card will be competing with the banks' credit-card business.

"I had hoped," Rep. Charles Schumer (D., N.Y.) responded, "that the credit-card industry's response to the new American Express card would be an appropriate free-market response: lowering the interest rate on their cards . . . or, at the very least, trying to explain to consumers why they should spend more for Visa or MasterCard.

"Instead, Visa chose to rely on strong-arm pressure tactics and on a call for a boycott by banks of American Express products."

Timing undoubtedly played a part in eliciting Rep. Schumer's response. The Optima card, whose 13.5% interest rate is five percentage points lower than the average rate for Visa and MasterCard, was introduced on

(Continued on Page 78)

Last Minute News

LaMaur backs intro with $21M campaign

MINNEAPOLIS—LaMaur this spring will introduce Textra shampoo and conditioner with a $21 million TV, magazine, direct-mail and couponing campaign. Campbell-Mithun, Minneapolis, handles.

DMB&B gets 'soap' assignment from P&G

NEW YORK—Procter & Gamble, Cincinnati, is consolidating all New York daytime soap-opera production at D'Arcy Masius Benton & Bowles. DMB&B will produce two soaps, "As the World Turns" and "Guiding Light," previously at Saatchi & Saatchi Compton.

Weithas to be 4A's vice chairman

NEW YORK—William Weithas, chairman of SSC&B:Lintas Worldwide, will be elected the new vice chairman of the American Association of Advertising Agencies at its annual meeting this week in Boca Raton, Fla., sources say. The post traditionally is the stepping-stone to the chairman's spot the following year. Leland Lynch, chairman of Carmichael-Lynch, Minneapolis, is slated to be the

(Continued on Page 8)

Highlights

Georgia-Pacific tags P&G 1
Georgia-Pacific Corp., the paper-products company that's accustomed to walking in the long shadow of Procter & Gamble Co., now is hot on its bigger rival's heels. In a six-month marketing effort, G-P will spend as much as $75 million in advertising and promotion—a record for the company—to introduce a new bathroom tissue and upgrade its lower-price Coronet line.

Children's promotions on rise 3
White Castle, Pizza Hut and other fast-food chains are rediscovering the children's market, a segment most of the industry effectively had conceded to McDonald's Corp.'s dominance.

Underwear tug of war 4
Hanes Knitwear and Fruit of the Loom are set to air their dirty laundry in the courts, escalating a battle over a string of contentious TV commercials for underwear.

Commodore's clone killer 12
Recuperating personal-computer giant Commodore International is hungry for a piece of the $1.3 billion IBM PC-compatible market. In a $2 million print campaign starting this week, the company introduces the PC10 computer as "The clone killer."

Haircare help 22
Helene Curtis Industries' plan to spend $40 million to introduce its Salon Selectives line has jolted the slumbering $3.5 billion haircare market.

Generics wind down 76
Today, generic products celebrate their 10th anniversary on an inauspicious note. With the exception of the cigarette market—which still is getting mileage out of cut-rate, unadvertised brands—generics' best days are behind them.

CORPORATE CLOSEUP

Wilson will exclude athletes 6
Wilson Sporting Goods Co. is serving up some fiscal responsibility in its new advertising campaign. Facing skyrocketing endorsement fees, Wilson's new corporate ad campaign reveals the names of star athletes but doesn't use their pictures.

FEATURES

Year's best 35
Advertising Age presents the best commercials of 1986. This year's lineup features everything from a conga line of raisins to a talking head in a box, and almost everything in between. As creative directors struggle with declining TV audiences and the almighty zap factor, the emphasis has shifted from selling products to producing impact and attracting attention.

INTERNATIONAL

Italian food marketer expands 48
H.J. Heinz Co. and CPC International, among others, were outbid recently by Italian agribusiness conglomerate Ferruzzi S.p.A. of Rome for Latin America's largest food marketer. Brazil's Companhia Industrial de Conservas Alimenticias—CICA—soon may become a much more serious competitor for food marketers under Ferruzzi's ownership.

British Airways turns to U.S. TV 48
British Airways today brings its global ad campaign, focusing on the airline's treatment of passengers, to seven U.S. cities. The Saatchi & Saatchi campaign aired in 33 countries last year.

OTHER NEWS

National Car Rental System has expanded the scope of frequent-traveler incentive programs by becoming the first car-rental company to offer its own proprietary plan. Minneapolis-based National last week unveiled the Emerald Club, which offers "members" rewards ranging from free weekend rentals to vacations in Hawaii and Ireland. Page 12.

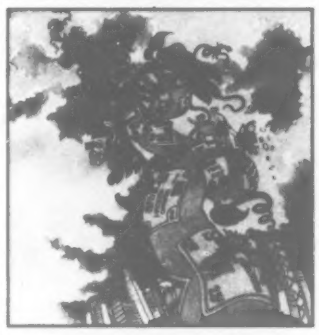
Ad industry trade groups are preparing for a major fight against a Florida proposal to tax all advertising coming into the state, including spots on network TV and ads in national print media. Page 53.

Determined to have its share of the wine-cooler market, Anheuser-Busch has changed its Dewey Stevens Premium Light brand's agency, advertising and packaging. Page 66.

In just six years, John Ryan & Co. has caught the eye of retail and bank clients nationwide with upscale POP art—point-of-purchase posters, displays and collateral. It's just one of several specialty shops luring dollars from conventional media in the POP field, which has grown 29% in the past two years to more than $9 billion. Page 43.

A North Carolina agency's "down home" work won the 1986 Stephen E. Kelly Award for best print advertising from the Magazine Publishers Association. The North Carolina Travel & Tourism campaign, created by Raleigh-based McKinney & Silver, took the top prize at the March 18 awards luncheon. Page 75.

SPECIAL REPORT



Sales Promotion—Consumer product marketers are redefining the rules of the game as more money continues to be diverted from general advertising budgets to sales promotion.

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Financial woes sting Abel shop

By JENNIFER PENDLETON

Hollywood—The Canadian parent of Robert Abel & Associates has installed a new president-chief executive officer to turn around financially the production company responsible for some of the most innovative—and expensive—special effects in TV advertising history.

R. Abel

Omnibus Computer Graphics named Bill Kennedy, a former VP of Crownx Inc., a Canadian diversified-services company, as president of Omnibus and its Abel unit. He replaces John Pennie, who becomes vice chairman.

Mr. Abel, the award-winning creative force behind the company that bears his name, continues as executive creative director.

Omnibus reportedly had a working capital deficit of $5.9 million for the three months ended Dec. 31. It also is in default on certain [illegible] its line of credit with the Royal Bank of Canada.

Omnibus acquired RA&A last August for $7.3 million.

As part of the restructuring, Omnibus has let go a substantial number of RA&A's staff, currently about 150 people. Observers expect further paring to take place.

RA&A has been responsible for some of the most talked-about and lavish TV commercials. Its work has given its principal, Robert Abel, the reputation of a creative genius.

Among RA&A's noted work: Levi Strauss & Co. spots featuring animated Levi's logos; Transamerica's commercials showing King Kong on the company's distinctive San Francisco pyramid building; and the Canned Food Information Council's "Sexy Robot" commercial.

While RA&A's work has always been somewhat experimental, its business has suffered in recent years due to growing competition.

"In the late 1970s, Abel was the only game in town," said one source. "Now there are many other production companies offering the same services."

Peter Johns & Partners feels pinch

San Francisco—Agency principal Peter Johns said Peter Johns & Partners is feeling "extreme pressures on ... cash flow," but emphasized he hopes to be able to turn around the ailing shop.

When asked if the agency might file for bankruptcy protection, the former president of Wells, Rich, Greene/West said it's "a possibility."

But Mr. Johns said he has several undisclosed new clients that he hopes will put the agency on a stronger financial footing by April.

According to numerous ex-staffers, about 10 employees have left the agency, claiming salaries haven't been paid since February.

Among those leaving the shop recently were Mickey Lonchar, VP-creative director; Donna Bischoff, director of research and VP-account supervisor; and Margaret Paradis, account supervisor.

Mr. Johns denies that staffers haven't been paid.

Current clients include the Claremont Hotel & Resort, Berkeley; Cathay Pacific; and a new theme park—as yet unbuilt—called Gold Rush City.

PJ&P's financial crisis follows the loss of its largest account, the estimated $1.5 million-to-$2 million Plantronics account, now in review (AA, March 16).

Suppliers say the agency is behind on payments. Local photographer Larry Keenan says PJ&P owes him $23,000 and he is contemplating pressing charges against the agency.

A Sun Valley, Idaho, photographer, David Stoecklein, has filed a civil suit in Blaine County (Idaho) District Court against the agency and Mr. Johns as an individual, seeking collection of an outstanding debt of $4,700.

PJ&P began operating under its current name in March 1986, following the departure of Mr. Johns' former partner, Ed Mangino. Prior to that the agency had been doing business as Mangino/Murray/Johns.

South African-born Mr. Johns was president of WRG/West, Los Angeles, until 1982. Early in that year, WRG spun off its Los Angeles office as an independent subsidiary—Johns, Cohen & Pasqualina—to avoid conflict between Continental Airlines (handled out of Los Angeles) and Pan American World Airways (a New York client). It subsequently lost the Continental business, and Mr. Johns left (AA, March 12, 1982).

West Coast News

CORPORATE CLOSEUP

The copy describes golfer Ben Crenshaw, but the athlete's picture is noticeably absent in this b&w ad for Wilson Sporting Goods.

Wilson looks past star athletes' fees

By LAURIE FREEMAN

RIVER GROVE, ILL.—Wilson Sporting Goods Co. is serving up some fiscal responsibility in its new advertising campaign.

Emerging from a long period of introspection under new ownership, Wilson finds the rules of the marketing game have changed, and not in its favor. Endorsement fees have skyrocketed for celebrity athletes who long have dominated sporting-goods ads, and smaller companies have been priced out of the high-stakes competition.

So in its new corporate ad campaign—budgeted at $5 million and themed "Where there's a will, there's Wilson"—the names of such star athletes as George Brett, Chris Evert, Michael Jordan and Walter Payton are shown against stark, b&w photography of the playing fields where they learned their sports. The athletes themselves are not shown.

D'Arcy Masius Benton & Bowles, Chicago, is the agency.

Wilson marketing executives have crafted the strategy only partly because of the fiscal reality; the other part is a belief that athlete endorsements don't automatically add up to sales anymore.

"[The celebrity athletes'] day is done. Except for a few, their ability to deliver is minimal and their value diluted because of the many endorsements they do," said Dave Lumley, Wilson VP-advertising, during an interview at Wilson's corporate headquarters here. "Consumers ... know that the player has sold out and is being paid large sums of money to wear the clothing and use the equipment."

Whether that's true or not, much has changed since Wilson was sold to Wesray Capital Corp. by former parent PepsiCo in September 1985. Wilson executives have spent much of the transition time identifying and seeking solutions to the problems that had caused company profits to deteriorate.

For 1984, the year before its sale to Wesray, Wilson posted a loss of $17 million on sales of $247.6 million. That trend continued into 1985, when sales of $255 million translated into a loss of $37.8 million.

While Wilson says its new campaign reaffirms its belief in the value of image-building advertising, management knows advertising means nothing if the company doesn't have the accompanying dealer support.

Mr. Lumley said the company is putting substantial time and effort into repairing damage to its trade relationships.

After being named company chairman in late 1985, John Murray sent a letter to sporting-goods dealers admitting the company's past mistakes and explaining corrective measures. These included new terms for retailers, proper pricing procedures and, importantly, upgraded products.

Most of Wilson's problems under PepsiCo were caused by frequent management changes, sources report, and resulting short-sightedness. Poorly conceived products became permanent inventory.

During this PepsiCo period, relations with retailers were badly damaged—almost beyond repair, according to some industry executives.

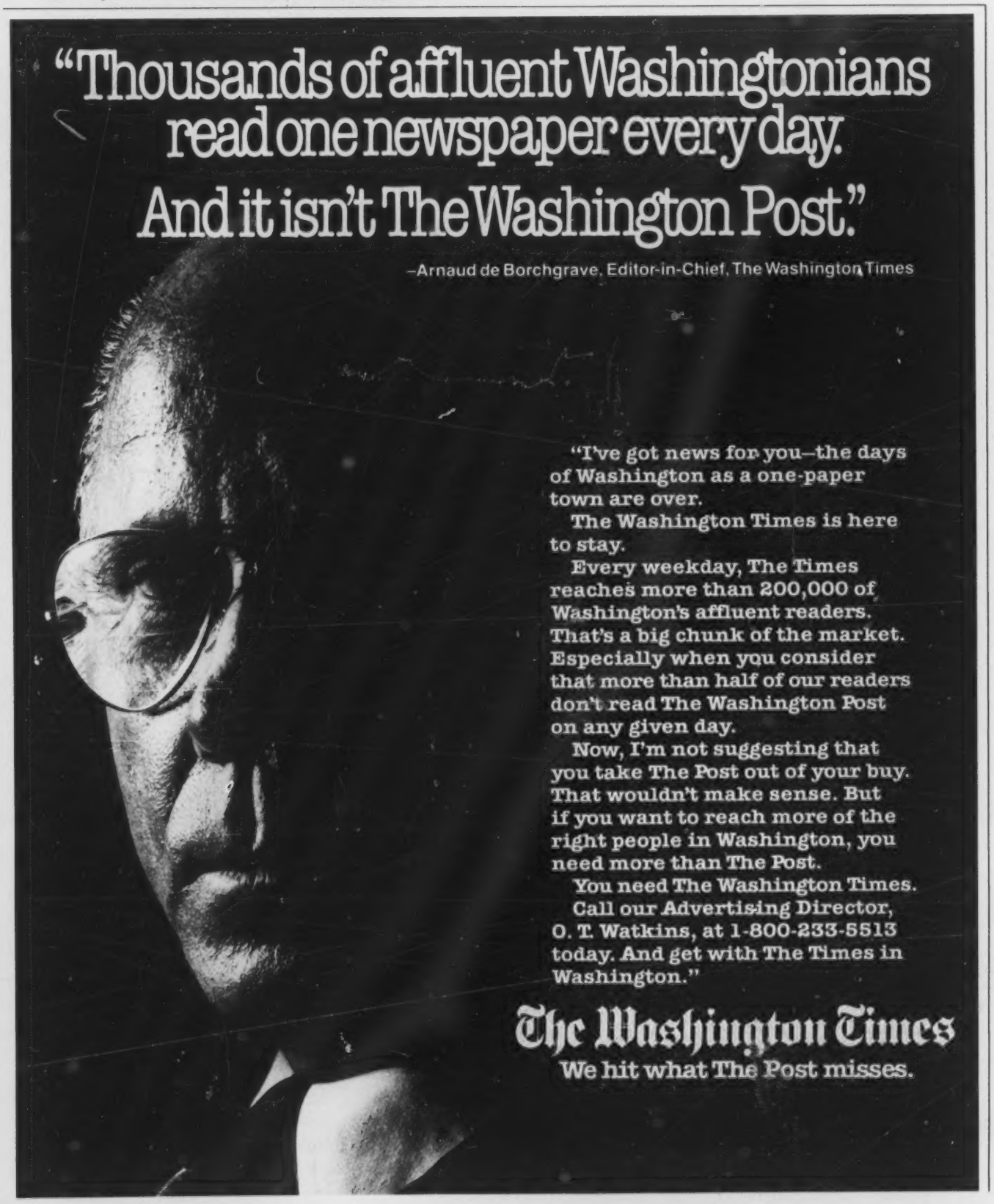
Wilson now is determined to rebuild, to re-establish its past preeminence in the $15 billion industry. Still, it intends to work within its means, as evidenced by its attitude toward athlete endorsements today.

"What's happened is the en-

(Continued on Page 83)

"Thousands of affluent Washingtonians read one newspaper every day. And it isn't The Washington Post."

–Arnaud de Borchgrave, Editor-in-Chief, The Washington Times



"I've got news for you—the days of Washington as a one-paper town are over.

The Washington Times is here to stay.

Every weekday, The Times reaches more than 200,000 of Washington's affluent readers. That's a big chunk of the market. Especially when you consider that more than half of our readers don't read The Washington Post on any given day.

Now, I'm not suggesting that you take The Post out of your buy. That wouldn't make sense. But if you want to reach more of the right people in Washington, you need more than The Post.

You need The Washington Times.

Call our Advertising Director, O. T. Watkins, at 1-800-233-5513 today. And get with The Times in Washington."

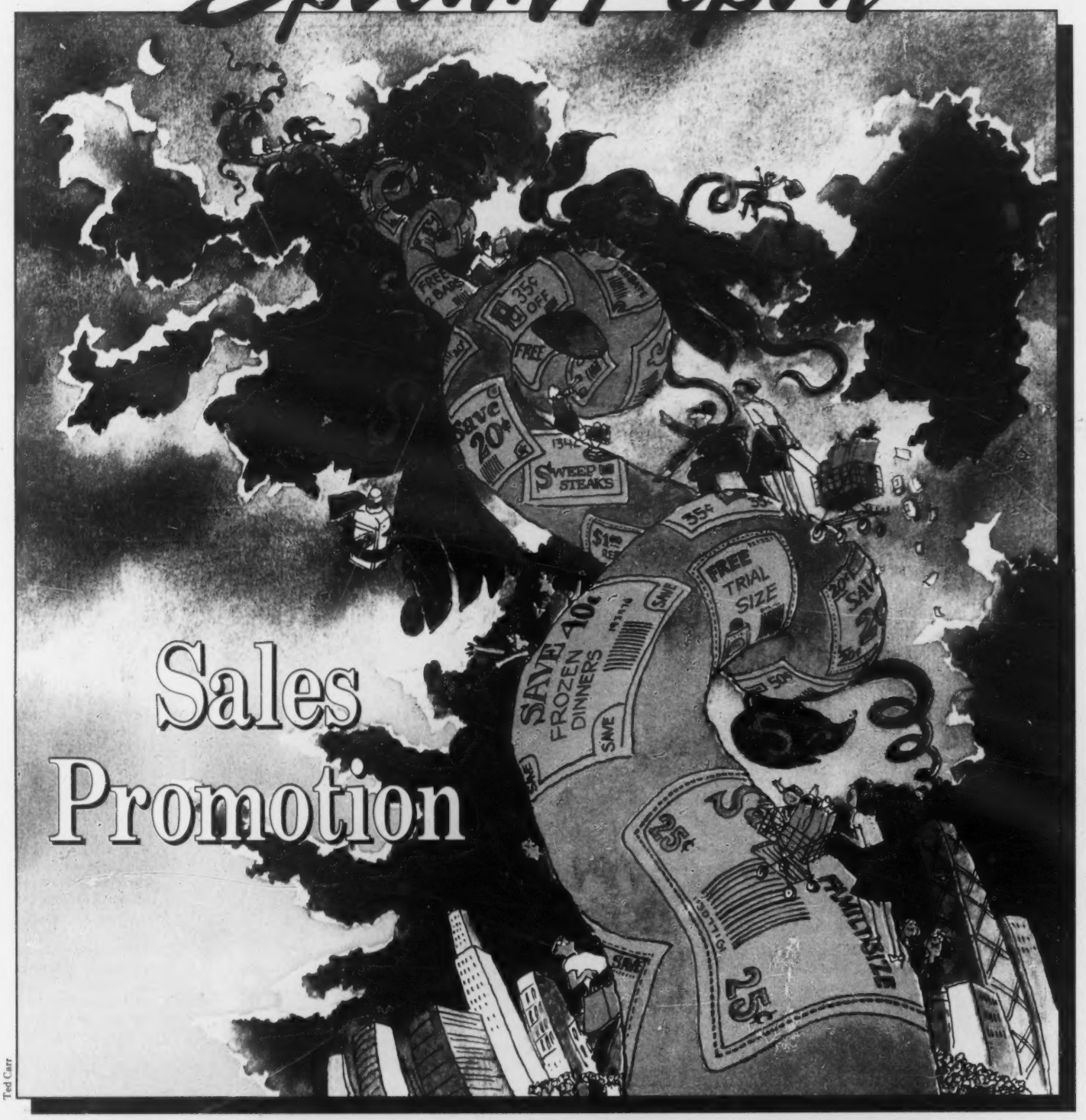
The Washington Times

We hit what The Post misses.

CORRECTIONS & CLARIFICATIONS

• Cox Enterprises Inc. was the name adopted by the Atlanta-based media company following the 1986 merger of Cox Communications and Cox Enterprises. Ownership of all Cox media properties —newspapers, TV, radio stations and cable TV systems—should have referred to Cox Enterprises, the media properties' parent company, not Cox Communications, a name that is no longer used (AA, Jan. 26, P. S-20).#

Special Report



Ted Carr

No end in sight to promotion's upward spiral

By Richard Edel

Not long ago, Paddington Corp., Fort Lee, N.J., made an incredible offer to consumers in selected New York markets where it was promoting J&B Scotch. Consumers who bought a $12 bottle of J&B were entitled, free of charge, to select a watch, a credit card, radio or a movie videocassette, with retail values between $20 and $50.

How could a company afford premiums worth two to four times the value of its product based on a single purchase? (The answer is somewhere in this story.)

Under normal circumstances, a company can't. But in the sometimes crazy world of sales promotion, seemingly anything is possible.

Consumer product marketers are rethinking the rules of the game as they devote more money to sales promotion, says Richard Vincent, director of marketing services at Donnelley Marketing, Stamford, Conn.

These marketers still spend billions each year on brand advertising to promote long-term customer loyalty, but heightened competition and the rising cost of network TV is causing them to divert more marketing dollars into short-term tactics, such as cents-off coupons, money-back offers, premiums, sampling, sweepstakes, contests and other sales incentives. Unlike image advertising, these forms of promotion have built-in systems for tracking performance, he says.

"The market is reacting to the high cost and diminishing effectiveness of network TV. You can see the change in attitude as agencies come under pressure to find new marketing approaches," Mr. Vincent says.

For the past nine years, Donnelley, a division of Dun & Bradstreet, has surveyed package

(Continued on Page S-2)

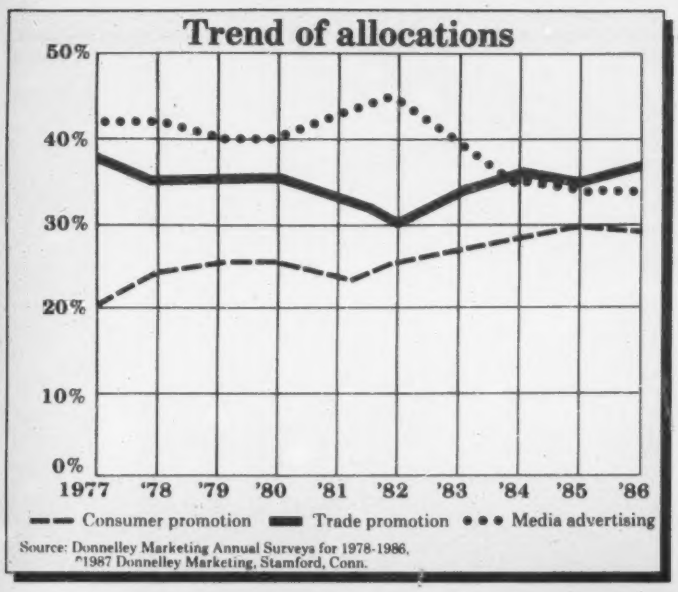
Richard Edel is a Chicago-based free-lance writer and frequent contributor to Special Report.

Allocation of promotion dollars

1985-86

Type	Percent
1. Meetings and conventions	31%
2. Direct mail	16
3. Premiums and incentives	14
4. Point-of-purchase displays	12
5. Printing and audio-visuals	8
6. Promotion advertising space	8
7. Exhibits and trade shows	7
8. Couponing	4

Source: Promotion Marketing Association of America, New York



Source: Donnelley Marketing Annual Surveys for 1978-1986.
©1987 Donnelley Marketing, Stamford, Conn.

Promotion's spiral

(Continued from Page S-1)

goods and consumer product companies' marketing expenditures.

A draft report of the latest survey, pre-released to Advertising Age, indicates that consumer promotions accounted for 29% of marketing expenditures in 1986, a 1% drop from 1985 spending, but up from 24% in 1978, the first year of the study.

Combined with trade promotions—the special deals that manufacturers offer retailers to give their products an extra push—non-media promotion accounted for 66% of all marketing expenditures in 1986, up 1% from 1985 and up 8% from 1978. Media advertising fell to 34% of marketing costs in 1986 from 35% in 1985 and 42% in 1978.

The Promotion Marketing Association of America, New York, predicts total promotion industry expenditures will top $100 billion for the first time in the fiscal year from June 1986 to June 1987, says Robert D. Brandon, PMAA chairman and president of Beaumont-Bennett/-Brandon, Atlanta.

One reason for the increased interest in consumer promotion is advertisers' growng difficulty in finding a unique selling proposition with the onslaught of new products, brand extensions and me-too offerings.

Factoring in resistance from the retail trade to price increases, an increasingly popular way to differentiate products is through price reduction and value-added promotions, such as premiums and incentives.

"It boils down to who can shout the loudest," Mr. Brandon says.

The dramatic rise of non-media promotions for a major package goods marketer can be seen in promotional spending by Chicago-based Quaker Oats Co. At Quaker's annual meeting Nov. 12, William D. Smithburg, chairman-ceo, said the company's advertising and merchandising expenses as a percentage of sales over the last decade jumped from about 11% to nearly 20% on net sales of $3.67 billion for the year ending June 30, 1986.

Most promotions simply switch around price-conscious buyers and rarely attract new users.

Quaker's total advertising and merchandising budget for the fiscal year was just more than $700 million, of which media advertising represented about 25%, Mr. Smithburg added.

That means Quaker spent $175 million for advertising, compared with combined trade and consumer promotion of $525 million, says Ron Bottrell, senior manager of corporate communications.

"Our total marketing budget is going up and there is a shift in the way it is being spent, with media spending [falling as a percentage of the total] and trade and consumer promotion going up. But we've never been too precise about the way the pie is carved up," Mr. Bottrell says.

Compounding the reasons for a shift in favor of non-media promotion is the rising buying power of retailers through industry consolidation, and their greater access to almost instantaneous information on product movement through computerized scanner data.

Promotions give marketers an edge in gaining precious shelf space and advertising support from retailers. Trade promo-

(Continued on Page S-4)

Quick! She's about to make a decision.

What do you want to tell her about your product?

You know it's just a short time until she's at the checkout. You know over 80% of all purchase decisions are made in the store. Does she know about your new improved formula? Will she remember your $200,000 TV commercial?

It's more likely she will if you use SHELFVISION. It's in-store advertising that makes your other advertising work. It has a proven track record of building sales by as much as +24% over control stores.

You preempt your competitors by getting complete category exclusivity for the periods you select in over 6,000 supermarkets. We'll even show you how to get your message up in more than 12,000 stores.

Use our category hotline, now!

ASK FOR CATEGORY HOTLINE
312-AT-SHELF
312-287-4353
9:00 AM-5:00 PM CST.
FIND OUT IF YOUR CATEGORY IS AVAILABLE

Shelfvision™
A Subsidiary of The Cooperative Marketing Co.

The Last Word!

SWEEPSTAKES SERVICES?
• MAIL RECEIPT • JUDGING •
• DATA ENTRY OF NAMES •
• LIST MAINTENANCE •
C & C Information Systems
54 Willow Park Center
Farmingdale, New York 11735
516 - 752-0881
• FAST QUOTES •
• COMPETITIVE FEES •

Trend of allocations to consumer promotion

Showing three-year reports for each survey

Percent of total promotional dollars in each year

Survey	'76	'77	'78	'79	'80	'81	'82	'83	'84	'85	'86
Ninth									27	28	(29)
Eighth								27	30	30	
Seventh							23	26	27		
Sixth						20	24	26			
Fifth					22	25	26				
Fourth				19	22	23					
Third			20	23	25						
Second		20	22	25							
First	19	21	(24)								
Mean	**19**	**20**	**22**	**22**	**23**	**23**	**24**	**26**	**28**	**29**	**29**

Circled numbers represent beginning and ending years of surveys completed.

Source: Donnelley Marketing Annual Surveys for 1978-1986

©1987 Donnelley Marketing, Stamford, Conn.

Promotion's spiral

(Continued from Page S-2)

tions provide a push effect through distribution and retail channels, while coupons, contests and incentives create a pull effect by luring consumers into stores, analysts say.

Because the manufacturer picks up the tab for all deals and incentives, retailers have everything to gain by seeking out ever-sweeter deals. When done correctly, promotions build customer traffic, boost sales volume and result in incremental profits for the manufacturer.

However, reckless use of sales promotion could lead to an endless spiral of ever larger deals and incentives. The prospect of mortgaging a brand or category's future profitability is real, says Don Schultz, associate dean of the advertising department at Northwestern's Medill School of Journalism, Evanston, Ill.

Soft drinks, coffee and cookies, among others, already have fallen victim to frequent promotion cycles, Mr. Schultz says. The result is that leading brands simply trade market share on a week to week basis, depending on which is being promoted.

"It's a prisoner's dilemma. The big question is, who's going to be the first one to quit?" he asks. "In many categories, share of market is an unattainable goal. The key question is whether you make any money."

Mr. Schultz blames consumer product companies for creating a pay and bonus system that rewards executives for short-term tactics that move product volume rather than long-term strategies that build consumer loyalty.

"A ceo is evaluated based on sales volume for the last quarter. The executive who thinks ahead is a rare breed," he says.

What is needed is an integrated, long-term marketing strategy that examines promotion allocation by brand, category and markets on a localized basis, Mr. Schultz says.

"I'm trying to get people to look at promotion allocation on a market-to-market basis using scanner data and research rather than people just saying, 'This is the way I think it works.' The way it has traditionally been done is wrong," he says.

The first misconception is a belief in spending more money for so-called efficient national media buys, he says. "The assumption is that there is a national market. In truth, there is no national market."

Another misconception surrounds what makes advertising successful, Mr. Schultz says. Success depends on how good the advertising is, and whether it clearly explains the consumer benefit, creates emotional or rational involvement, and is exposed to the correct target market.

These principles frequently are misunderstood by marketers who use promotion to prompt a product trial, Mr. Schultz says. Research indicates that advertising, not sales promotion, convinces consumers to try a product.

Advertising explains the product benefits or creates an emotional attachment, Mr. Schultz.

(Continued on Page S-7)

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Promotion's spiral

(Continued from Page S-4)
says. Most promotions simply switch around price-conscious buyers; they rarely attract new users, he says. Light users of a product also are more responsive to promotion than heavy users because they tend to stock up.

For established products, marketing success generally depends more on retail support than on the manufacturer's promotional activities, Mr. Schultz adds. A big placement in a free-standing insert is small potatoes compared to an end-aisle display in a major chain store, he says.

The latter trend was just what PepsiCo had in mind when the soft drink marketer took action to boost sales in the Southeast by teaming up with Eckerd Drugs in a promotion targeted at female heads of households.

Pepsi became co-sponsor in late 1985 with Clearwater, Fla.-based Jack Eckerd Corp. of the "Meet the Stars" sweepstakes. The game asked participants to answer questions about the TV soaps and offered a grand-prize tour of the sets and a chance to meet the stars.

"[PepsiCo is] looking for retailers who can offer adequate display space, good location in the stores and the right kind of product to back up a sale and meet demand," says Ronald Peterson, exec VP-marketing, Eckerd Corp. This is especially true if the product is high volume and needs a large display area, such as soft drinks, he adds.

Experts say retailer support will become critical in the future as consolidation places buying power in fewer hands. "We predict that by 1990, 40% of all commodity volume in grocery products will be controlled by 10 chains," says Jeff McElnea, president of Paramus, N.J.-based Einson Freeman, one of

(Continued on Page S-8)

From ugly duckling to golden goose

Independent sales promotion agencies may be victims of their own success. Their ability to lure dollars away from brand image advertising has made them among ad agencies' most attractive buyout targets.

In the past few years, major agencies have acquired some of the largest independents: Saatchi & Saatchi Compton Worldwide's buyout of the Howard Marlboro Group, New York; Grey Advertising's acquisition of Beaumont/Bennett, New York; Young & Rubicam's purchase of Rogers Merchandising, Chicago. On Jan. 1, the Australian agency Mojo MDA acquired San Francisco-based Allen & Dorward.

Other large agencies are either starting their own promotion agencies or are rumored to be negotiating to buy independents, observers say. By growing their own promotion agencies, they avoid the cultural clashes that sometimes occur when an entrepeneur-driven company is acquired.

"When you own a promotion agency, everyone and their dog is after you," says Dick McLean, president of The Merchandising Factory, a San Francisco-based independent promotion agency.

It's not hard to figure out the reasons for this. As large agency profit margins are squeezed by lower use of network TV, they are looking for new income sources. Profit margins generally are higher in sales promotion, he says.

"With the shift toward sales promotion, the ad agencies see potential revenue slipping through their fingers," says William A. Robinson, president of the Chicago-based agency that bears his name. "The acquisition of sales promotion agencies into general agencies is a horrible trend."

The lack of sales promotion capabilities can hurt an advertising agency in a market where clients are looking for more services, as illustrated by Doyle Dane Bernbach's loss of its Brown & Williamson Tobacco Corp. business last year.

"It makes sense for large agencies to offer a complete range of services to the companies that want them," says Barry E. Loughrane, chairman of New York-based Omnicom Group, which last year reorganized its three public relations companies and eight direct marketing agencies into two promotion agency networks under its Diversified Agency Services division. Omnicom now is making a concerted effort to market its promotional capabilities. "I think we can come a little closer, if not to one-stop shopping, at least to convenient shopping," Mr. Loughrane says. "It will never be a utopia where we can offer all clients everything they want," he adds.

Perhaps the key to big agency interest in promotional agencies is that more clients are looking for a return on their marketing investment, says Mr. Robinson. Where national media may take months or years to produce measurable results, various forms of sales promotion, such as coupons, sweepstakes and incentives, offer almost immediate response. An example is Quaker Oats' 1985 "Where's the Cap'n?" promotion, which resulted in a 50% increase in volume sales of Cap'n Crunch cereal during the promotion, Mr. Robinson says.

"One of the trends in our business is well-informed clients. In years past, it was enough that we did better than last year. Now the client asks, 'How many cans of soup am I going to sell if I spend an extra million on sales promotion?' " he says.

Ad agencies once thought of sales promotion agencies as the guys in plaid jackets who push pens and calculators with company logos. Now they view sales promotion as an indispensable factor in the integrated marketing mix, Mr. Robinson says.

"They like to come to a client without a bias as to any type of medium, whether it's sales promotion, public relations or agency work," says Joe Flanagan, president of Chicago-based Impact, a division of Foote, Cone & Belding.

"Sales promotion is the ugly duckling whose time has come," says Mr. McLean.

—*Richard Edel*

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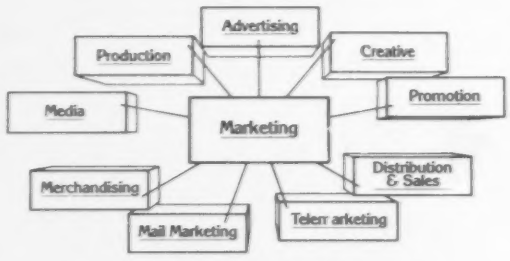

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Promotion's spiral

(Continued from Page S-7)
the nation's oldest sales promotion agencies.

"We must meet the needs of the retailer one-on-one," he says. With technology, retailers increasingly are able to adjust ordering patterns, and revise merchandising schemes with up-to-the-minute information. "You can't sell them a bill of goods. The retailer knows too much," he says. Manufacturers sometimes will go to great lengths to attract retailer support by making unusual offers. Which brings us back to Paddington's J&B promotion, and how the company could afford its expensive giveaways.

The promotion has all the elements: attractive benefit, rational involvement, a clear message and exposure to a well-defined regional target market. Slippage is the reason Paddington can afford the promotion, explains Mr. McElnea, whose agency dreamed up the idea.

Slippage is defined as the percentage of consumers who buy a product, but never follow though on a redemption offer. It is a key ingredient in many of the high-ticket offers that tie in with low-priced consumer goods.

In this case, Paddington required that consumers soak off the J&B label and return it to the company with a proof of purchase. The company took a gutsy risk that few consumers would soak the label off a premium product prior to emptying the bottle. And by that time, the offer would be long forgotten.

"I'd have to give Paddington credit for attempting this strategy. You're getting the benefit of incremental sales without having to pay for redemption," he says. "Payout is the ultimate criteria.

"It's not every day that a client is willing to take a bold risk," Mr. McElnea says.

Trend of allocations to trade promotion and media advertising

Showing three-year reports for each survey

Trade promotion

Percent of total promotional dollars in each year

Survey	'76	'77	'78	'79	'80	'81	'82	'83	'84	'85	'86
Ninth									37	38	(37)
Eighth								38	36	35	
Seventh							41	39	37		
Sixth						39	38	34			
Fifth					33	30	29				
Fourth				37	35	33					
Third			37	36	35						
Second		39	38	35							
First	39	37	(34)								
Mean	**39**	**38**	**36**	**36**	**34**	**34**	**36**	**37**	**37**	**36**	**37**

Media advertising

Percent of total promotional dollars in each year

Survey	'76	'77	'78	'79	'80	'81	'82	'83	'84	'85	'86
Ninth									36	34	(37)
Eighth								35	34	35	
Seventh							35	35	36		
Sixth						41	39	39			
Fifth					45	45	45				
Fourth				44	43	44					
Third			44	41	40						
Second		41	40	40							
First	42	42	(42)								
Mean	**42**	**42**	**42**	**42**	**43**	**43**	**40**	**38**	**35**	**35**	**34**

Circled numbers represent beginning and ending years of surveys completed.
Source: Donnelley Marketing Annual Surveys, 1978-1986
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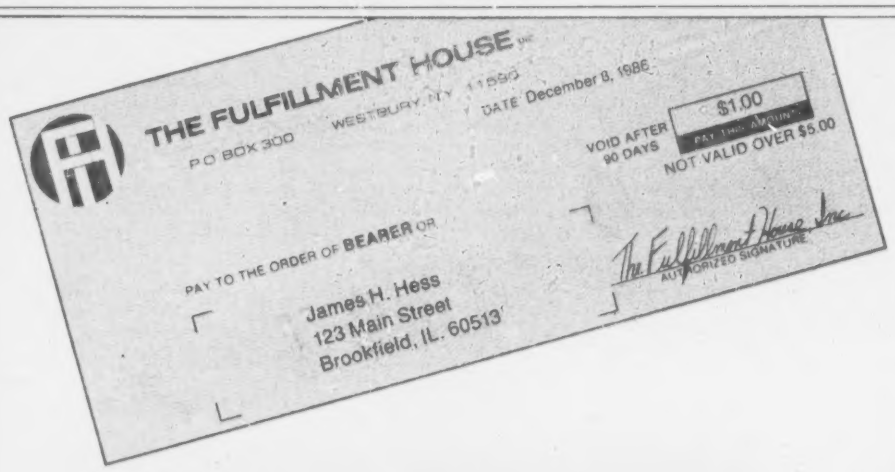

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Rebates challenge coupons' redeeming values

By Ronnie Telzer

Refunds are presenting a potent challenge to couponing's dominance as a sales promotion tool. Refund offers are attractive because they stimulate sales without the high costs and waste often associated with cents-off coupons.

"Everybody talks about couponing when they discuss the growth of promotion, but we continue to see declining redemption rates in couponing due to the glut of couponing activity," says Austin Chave, president, Promotion Dynamics Worldwide, New York, a subsidiary of Omnicom Group.

"Refunds have become a major promotion tool because they are consistently predictable in terms of results and liabilities. With refunds, you know what you're getting for your dollars," Mr. Chave says.

He cautions that overuse of refunds can be tremendously detrimental—particularly in noncommodity categories like cereals, cigarettes and soft drinks, where there is strongly perceived product differentiation. "Too much reliance on refunding can undermine and erode the positive brand imagery that can be built up by advertising. But when refunds are used wisely with a well-rounded mix of other promotion techniques, they can be very effective."

Donald C. Vaillancourt, corporate VP-corporate communications and consumer affairs, Grand Union Co., Elmwood Park, N.J., says, "Coupons and refunds are a plus in the marketplace. They enhance the sale of new products and stimulate the sale of other products that may be declining in the product life cycle." He says Grand Union has "no problem with manufacturers' refunds and rebates. But what we object to," he says, "is when competition forces us into double coupons [redeeming twice the face value of a coupon] —when the extra value of the coupon is paid from Grand Union's corporate funds."

Michael Rourke, VP-communications and corporate affairs for A&P, Montvale, N.J., says A&P also dislikes "the cost of double couponing, and uses it only in self-defense. Coupons are a way of life, which may have gone too far in the last few years. There are too many coupons for stores to handle efficiently."

"Unlike coupons, rebates don't affect us directly in terms of handling costs. We feel refunds can help stimulate product movement and help increase sales," he says.

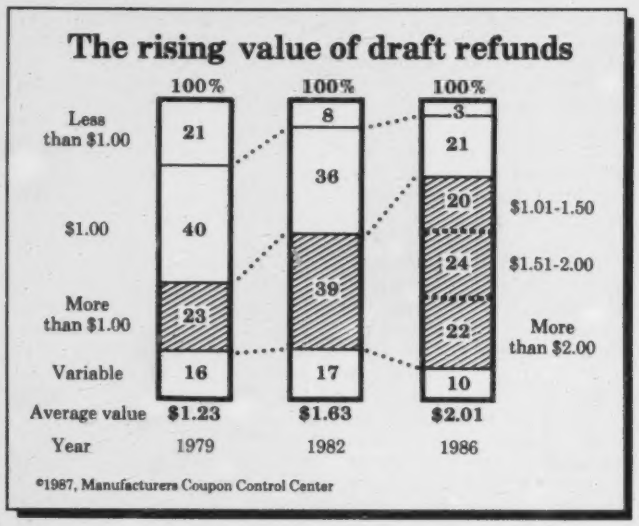
According to Roger Shaw, exec VP/national sales director for Wilton, Conn.-based Manufacturers Coupon Control Center, a division of Dun & Bradstreet, manufacturers' coupon handling allowances went from 5¢ to 7¢ in 1980; an increase to 8¢ was rolled in through 1984.

"Promoting with Consumer Refunds," a study by MCCC, shows that the number of households using refunds has nearly doubled, from 27% in 1977 to 51% in 1984, the most recent date for which figures are available. That year the average number of requests per refunding household reached six—an increase from four refund requests per household in 1977.

Dan Ailloni-Charas, president of Stratmar Systems, an international marketing services company based in Port Chester, N.Y., attributes this growth to three market factors: the promotion and popularity of high-ticket rebates on items from autos to appliances; the increased desire for shoppers to obtain greater savings than those achievable through couponing alone and the proliferation of consumer swap clubs that foster awareness of promotional offers.

Mr. Ailloni-Charas emphasizes that consumers are not the only beneficiaries of refund promotions. "The big winners are manufacturers, who are spared the costs of coupon misredemp-

Ronnie Telzer is a New York-based free lance writer who specializes in sales promotion topics.



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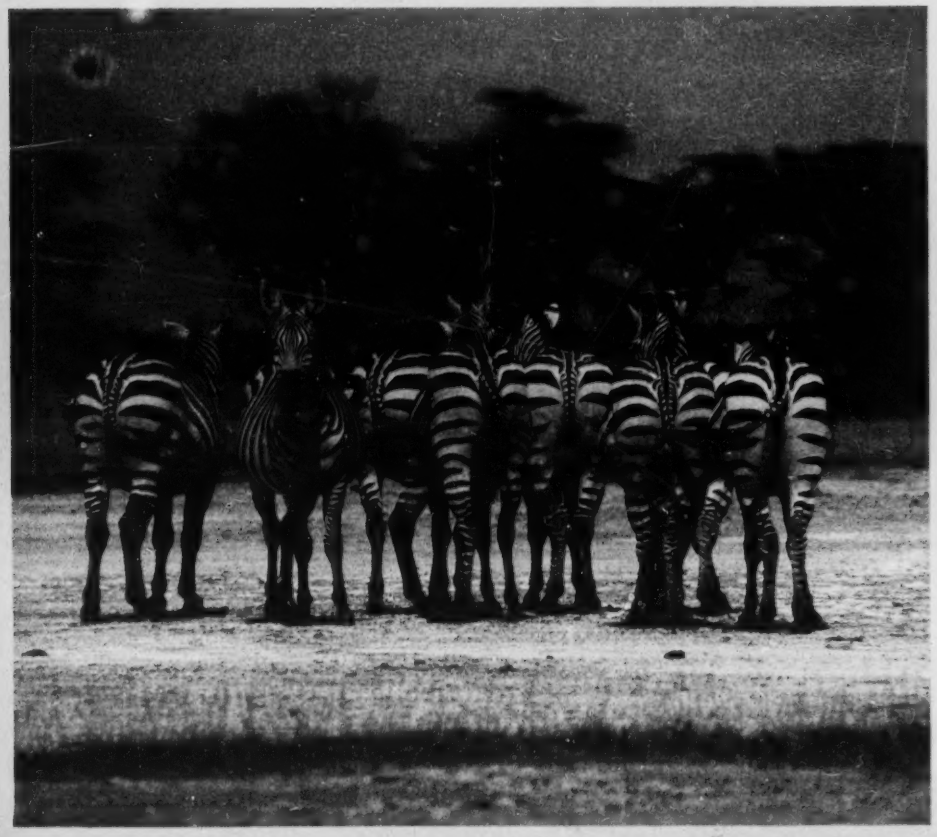

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tion, which runs as high as 20%, and retailers, who generate incremental and multiple purchases without assuming the burden of double/triple couponing and coupon handling costs.

"Slow coupon redemption payments have become such a problem that some retailers have actually begun to deduct the money due them from payments for goods," he says.

In 1985 Stratmar Systems introduced a cooperative refund event called "Shoppers PayDay." Mr. Ailloni-Charas says it was designed "to make refund promotions easier and more attractive than ever before."

The program combines refund offers from several package goods marketers under an attention-getting banner headline that appears in daily newspaper food-day ads and "take one" flyers distributed via supermarket floor-stand displays. The ads and flyers invite consumers to "Get up to $12.75 [or other amounts] in cash, coupons and free merchandise and win a five-minute shopping spree."

Conducted on a regional basis from 1985 to 1987, the Shoppers PayDay program is expected to run nationally for the first time in mid-to-late 1988. The national program will have an estimated circulation of 40 million to 45 million, and will be supported by a strong merchandising program including local market radio and newspaper advertising, in-store shelf talkers and point-of-purchase displays.

"A cooperative refund event like Shoppers PayDay is highly efficient. It represents a tremendous amount of value which should attract a great deal of attention," Promotion Dynamics' Mr. Chave notes.

"Because Shoppers PayDay requires proofs-of-purchase, it virtually assures manufacturers that the proper products have been purchased," Mr. Ailloni-Charas says. "For the price of a

(Continued on Page S-20)

Brand loyalty fostered by video offer

A new cooperative promotion vehicle from Diamond Promotion Group Inc., New York, will offer the purchasers of selected package goods brands an unusual incentive—the opportunity to obtain free prerecorded videocassettes. According to Diamond Promotion Group President Andrew Cohen, the Diamond Entertainment Club was begun to foster long-term consumer brand loyalty—much like airline frequent flyer and retail trading stamp programs.

To participate in the program, consumers mail in an enrollment form available from point-of-purchase "take-one" pads or free-standing newspaper inserts, along with several qualifying proofs-of-purchase from participating brands. They will then receive a collection booklet and credit points in exchange for their initial proofs-of-purchase.

The collection booklet will list the point value of participating brands' UPC codes or proof-of-purchase seals, along with the number of points needed to qualify for each free video. The booklet also will contain pages where these proofs can be affixed. The more UPC codes or seals consumers obtain, the more videos they can order from a group of 40 or more titles.

Mr. Cohen points out that the open-ended program will provide an opportunity for advertisers to influence consumers' long-term purchasing habits instead of generating one-time sales, and will create a variety of cross-merchandising activities. He believes the program is far superior to coupon programs because it utilizes UPC codes or product package seals to ensure that the proper products actually have been purchased.

The program will be tested for nine months starting this fall in Baltimore—a city selected for its high videocassette recorder penetration. A national rollout is projected for 1988. Companies taking part in the Baltimore test will pay $10,000 to participate and will receive product category exclusivity, along with the first right of renewal for one-year contracts when the program is launched nationally.

Point values per proof-of-purchase will be determined by the participating brand, which is assessed at 10¢ per point fee—plus a 3¢ to 4¢ fulfillment charge for proof-of-purchase processing—when the contents of the collection book are redeemed.

—Ronnie Telzer

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Rebates challenge

(Continued from Page S-19)
single postage stamp, consumers mail the completed Pay Claim form and proofs-of-purchase to a single address and receive a single check that reflects the amount of their refund."

Refund offers in Shoppers PayDay can be more cost-effective for manufacturers than coupon or solo-refund programs. Mr. Ailloni-Charas says that a $1 refund offer in Shoppers PayDay that required five product purchases would cost the manufacturer $1 for the refund plus 16¢ for fulfillment—including postage and processing of five proofs-of-purchase.

In contrast, five product purchases made with cents-off coupons valued at 20¢ each would cost the manufacturer $1 for the face value of the coupons, plus 8¢ per coupon for the retail handling allowance and 2¢ per coupon for clearing-house charges. Thus, the manufacturer's cost for generating five product sales would be $1.16 for the refund offer vs. $1.50 for the coupon offer. Furthermore, total costs for a single, conventional solo-refund offer range from 25¢ to 30¢ per purchase.

Because refund offers are often made in response to competitive pressures, Mr. Ailloni-Charas says they should ideally provide "a competitively favorable price-value ratio for the product." Shoppers PayDay program research shows that money refund offers pull five times as well as product coupons for comparable values.

Terry Atkins, associate promotion manager, Camden, N.J.-based Campbell Soup Co., says "Participating in Shoppers PayDay makes your brand part of a highly coordinated event that's bigger than something you could do on your own." Mr. Atkins has tested the program with Campbell's Chunky soups, "red-and-white" soups and Franco-American Spaghetti-Os using a variety of refund and premium offers.

Campbell Soup will use Shoppers PayDay again, Mr. Atkins believes, when the program is introduced nationally so that "we can support the program with national events under our own umbrella."

Slippage is another important consideration working in refunds' favor. Stratmar's surveys indicate that the slippage factor for manufacturers' refund offers is about 2-to-1, which means that for every purchase proof submitted by consumers, two additional purchases were stimulated but never submitted for redemption.

"Clearly, slippage is what makes refunds work," Mr. Chave says, "since the manufacturer gains the purchase at no cost. Refunds are simple to communicate and easy for the consumer and trade to understand. They are very efficient due to the inherent slippage, and represent a very real, genuine value to the consumer."

Managing editor Cecelia Reed coordinated this report on Sales Promotion.

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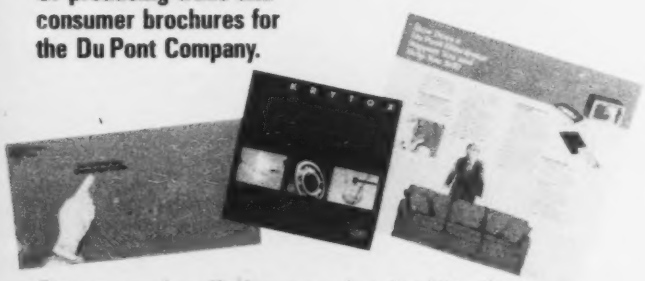

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